

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**CENTRAL VALLEY PROJECT**

**SCHEDULE OF RATES FOR BASE RESOURCE AND FIRST PREFERENCE POWER**

Effective:

October 1, 2011, through September 30, 2019.

Available:

Within the marketing area served by the Western Area Power Administration (Western),  
Sierra Nevada Customer Service Region.

Applicable:

To the Base Resource (BR) and First Preference (FP) Power Customers.

Character and Conditions of Service:

Alternating current, 60-hertz, three-phase, delivered and metered at the voltages and points established by contract. This service includes the Central Valley Project (CVP) transmission (to include reactive supply and voltage control from Federal generation sources needed to support the transmission service), spinning reserve service, and supplemental reserve service.

Power Revenue Requirement (PRR):

Western will develop the PRR prior to the start of each fiscal year (FY). The PRR will be divided in two 6-month periods, October through March and April through September, based on FP and BR percentages. The PRR for the April-through-September period will be reviewed in March of each year. The review will analyze financial data from the October-through-February period, to the extent information is available, as well as forecasted data for the

March-through-September period. If there is a change of \$5 million or more, the PRR will be recalculated for the entire FY. The PRR is allocated to FP Customers and BR Customers based on formula rates, as adjusted for Hourly Exchange (HE), FP true-up calculation, and midyear adjustments.

<b>Example of PRR Allocation to FP and BR</b>		
<b>Component</b>	<b>Formula</b>	<b>Allocation</b>
Annual PRR		\$70,000,000
FP Customers' Allocation (Total FP % = 5%)	$\$70,000,000 \times 5\%$	\$3,500,000
Remaining PRR Allocated to BR	$\$70,000,000 - \$3,500,000$	\$66,500,000
Note: This example is intended to show the PRR allocation to the customer groups and is not adjusted for billing, midyear adjustments or FP true-up calculation.		

#### FP Power Formula Rate:

The annual FP customer allocation is equal to the annual PRR multiplied by the relevant FP percentage. The formula rate for FP power has three components.

#### Component 1:

$\text{FP Customer Percentage} = \frac{\text{FP Customer Load}}{\text{Gen} + \text{Power Purchases} - \text{Project Use}}$ $\text{FP Customer Charge} = \text{FP Customer Percentage} \times \text{MRR}$
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Where:

FP Customer Load = An FP Customer's forecasted annual load in megawatt-hours (MWh).

Gen = The forecasted annual CVP and Washoe generation (MWh).

Power Purchases = Power purchases for Project Use and FP loads (MWh).

Project Use = The forecasted annual Project Use loads (MWh).

MRR = Monthly PRR.

Western will develop each FP customer's percentage prior to the start of each FY. During March of each FY, each FP customer's percentage will be reviewed. If, as a result of the review, there is a change in a FP customer's percentage of more than one-half of 1 percent, the

percentage will be revised for the April-through-September period and billing adjustments made for the October-through-March period to reflect the revised percentage.

<b>Table 1: Estimated and Actual Year 1 PRR Allocation Due to FP % True-up</b>					
FP Customer	Year 1 FP % (Based on estimate)	Year 1 FP and BR PRR Allocation	Year 1 Actual FP % (Determined during Year 2)	Year 1 FP and BR Actual (adjusted) PRR Allocation	Difference (Applied in Year 3)
Customer A	0.35%	\$262,500	0.38%	\$285,000	\$22,500
Customer B	0.90%	\$675,000	0.85%	\$637,500	(\$37,500)
Customer C	2.80%	\$2,100,000	2.90%	\$2,175,000	\$75,000
Customer D	0.75%	\$562,500	0.75%	\$562,500	\$0
Total	4.80%	\$3,600,000	4.88%	\$3,660,000	\$60,000
BR Customers	Contractual %	\$71,400,000	Contractual %	\$71,340,000	(\$60,000)
<b>Total PRR (Year 1)</b>		<b>\$75,000,000</b>	<b>Total PRR</b>	<b>\$75,000,000</b>	<b>\$0</b>

In addition, Western is adopting a true-up methodology for FP Customers each year in order to ensure FP Customers pay their proportionate share of the PRR. The FP percentage true-up calculation will use actual data for the FY being adjusted. Changes to the PRR based on FP percentage true-up calculations will be incorporated in the PRR at the beginning of each FY as shown in the example below. As shown in the example in Table 1, the total PRR for Year 1, on October 1, is \$75 million, and estimated revenue requirements are allocated to customers based on their estimated FP and BR percentages. A true-up of each FP percentage for Year 1 occurs in Year 2 and the difference between the estimated and actual will be reflected in the PRR in Year 3.

Beginning in Year 3, the PRR, as published on October 1, is \$73,000,000. Based on the true-up methodology, the adjustment (difference seen in Table 1) from Year 1 is factored in the PRR for Year 3, and payment obligations for both FP and BR Customers are appropriately adjusted as shown in the Table 2 below.

<b>Table 2: FP % Adjustment from Year 1 (Actual to Estimated) Applied in Year 3</b>				
FP Customer	Year 3 Est. FP %	Year 3 Estimated PRR Payment	PY FP True-Up (Year 1 True-Up Amount)	Total Year 3 Bill
Customer A	0.35%	\$255,500	\$22,500	\$278,000

Customer B	0.90%	\$657,000	(\$37,500)	\$619,500
Customer C	2.85%	\$2,080,500	\$75,000	\$2,155,500
Customer D	0.77%	\$562,100	\$0	\$562,100
Total	4.87%	\$3,555,100	\$60,000	\$3,615,100
BR Customers	Contractual %	\$69,444,900	(\$60,000)	\$69,384,900
<b>Total PRR (Year 3)</b>		<b>\$73,000,000</b>	<b>\$0</b>	<b>\$73,000,000</b>

Based on the true-up adjustment from Year 1, the adjusted PRR for Year 3 is appropriately allocated to both FP and BR Customers.

The percentages in the table below are the maximum percentages for each FP customer that will be applied to the MRR during the rate period October 1, 2011, through September 30, 2016. The maximum percentages were determined based on a critically dry year where there are hydrologic conditions that result in low CVP generation and, consequently, low levels of BR. An FP percentage cannot exceed the maximum except in instances where individual FP customer percentages increase due to load growth. If these maximum percentages are used for determining the FP customer charges for more than one year, Western will evaluate customer percentages from the formula rate versus the maximum percentage and make adjustments as appropriate.

<b>FP Actual Maximum Percentages Effective Rate Period FY 2012 through FY 2016</b>	
<b>FP Customer</b>	<b>Maximum FP Customer Percentage Applied to the MRR</b>
Sierra Conservation Center	1.58%
Calaveras Public Power Agency	3.81%
Trinity Public Utilities District	12.01%
Tuolumne Public Power Agency	3.16%
Total	20.56%

Below is a sample calculation for an FP customer's monthly charge for power.

<b>Example: FP Monthly Customer Charge Calculation</b>	
<b>Numerator</b>	
FP Customer's Load - MWh	10,000
<b>Denominator</b>	
Washoe Generation - MWh	2,500
CVP Generation - MWh	3,700,000
PU Load - MWh	(1,200,000)
PU Purchase - MWh	47,000

<b>Calculated Percentage</b>	
FP Customer's Percentage	0.39%
Monthly Power Revenue Requirement (MRR)	\$3,333,333
<b>FP Customer Monthly Charge</b> = (FP % x MRR)	\$13,000

#### Component 2:

Any charges or credits associated with the creation, termination, or modification to any tariff, contract, or rate schedule accepted or approved by the Federal Energy Regulatory Commission (FERC) or other regulatory bodies will be passed on to each relevant customer. The FERC's or other regulatory bodies' accepted or approved charges or credits apply to the service to which this rate methodology applies. When possible, Western will pass through directly to the relevant customer FERC's or other regulatory bodies' accepted or approved charges or credits in the same manner Western is charged or credited. If FERC's or other regulatory bodies' accepted or approved charges or credits cannot be passed through directly to the relevant customer in the same manner Western is charged or credited, the charges or credits will be passed through using Component 1 of the formula rate.

#### Component 3:

Any charges or credits from the Host Balancing Authority (HBA) applied to Western for providing this service will be passed through directly to the relevant customer in the same manner Western is charged or credited to the extent possible. If the HBA's costs or credits cannot be passed through to the relevant customer in the same manner Western is charged or credited, the charges or credits will be passed through using Component 1 of the formula rate.

#### BR Formula Rate:

The annual BR allocation is equal to the annual PRR less the annual FP customer allocation. The formula rate for BR has three components.

#### Component 1:

$\text{BR Customer Allocation} = (\text{BR RR} \times \text{BR}\%)$
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Where:

BR RR = BR Monthly Revenue Requirement (RR)

BR% = BR percentage for each customer as indicated in the BR contract after adjustments for programs, such as HE, if applicable.

After the FP Customers' share of the annual PRR has been determined, including a prior period true-up from the FP formula rate, the remainder of the annual PRR is recovered from the BR Customers. BR Customers' allocation will also be adjusted by the amount of under- or overpayment by FP Customers. The BR RR will be collected in two 6-month periods. For October through March, 25 percent of the BR RR will be collected. For April through September, 75 percent of the BR RR will be collected. The monthly BR RR is calculated by dividing the BR 6-month RR by six. The revenues from the sale of surplus BR will be applied to the annual BR RR for the following FY.

An example of a reallocation program is the HE program. BR Customers pay for exchange energy, hourly or seasonally, by adjusting the BR percentage that is applied to the BR RR. Adjustments to a customer's BR percentage for seasonal exchanges will be reflected in the customer's BR contract.

An illustration of the adjustment to a customer's BR percentage for HE energy is shown in the example below.

<b>Example of BR Percentage Adjustments for HE Energy</b>						
BR Customer	BR % from Contract	Hourly BR = 30 MWh	Customer's BR > Load	Customers Receiving HE	BR Delivered (Adj'd for HE)	Revised BR %
Customer A	20%	6	3	0	3	10.0%
Customer B	10%	3	0	1	4	13.3%
Customer C	70%	21	0	2	23	76.7%
Total	100%	30	3	3	30	100.0%

### Component 2:

Any charges or credits associated with the creation, termination, or modification to any tariff, contract, or rate schedule accepted or approved by FERC or other regulatory bodies will be passed on to each relevant customer. The FERC's or other regulatory bodies' accepted or approved charges or credits apply to the service to which this rate methodology applies. When possible, Western will pass through directly to the relevant customer FERC's or other regulatory bodies' accepted or approved charges or credits in the same manner Western is charged or credited. If FERC's or other regulatory bodies' accepted or approved charges or credits cannot be passed through directly to the relevant customer in the same manner Western is charged or credited, the charges or credits will be passed through using Component 1 of the formula rate.

### Component 3:

Any charges or credits from the HBA applied to Western for providing this service will be passed through directly to the relevant customer in the same manner Western is charged or credited to the extent possible. If the HBA's costs or credits cannot be passed through to the relevant customer in the same manner Western is charged or credited, the charges or credits will be passed through using Component 1 of the formula rate.

### Billing:

Billing for BR and FP power will occur monthly using the respective formula rate. Any adjustment made at midyear is applicable to the entire FY and billed over the remainder the FY.

### Adjustment for Losses:

Losses will be accounted for under this rate schedule as stated in the service agreement.

### Adjustment for Audit Adjustments:

Financial audit adjustments that apply to the formula rate under this rate schedule will be

evaluated on a case-by-case basis to determine the appropriate treatment for repayment and cash flow management.